

PUBLIC DISCLOSURE

DECEMBER 20, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

FIDELITY COOPERATIVE BANK

675 MAIN STREET
FITCHBURG, MA 01420

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **FIDELITY COOPERATIVE BANK** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "High Satisfactory"

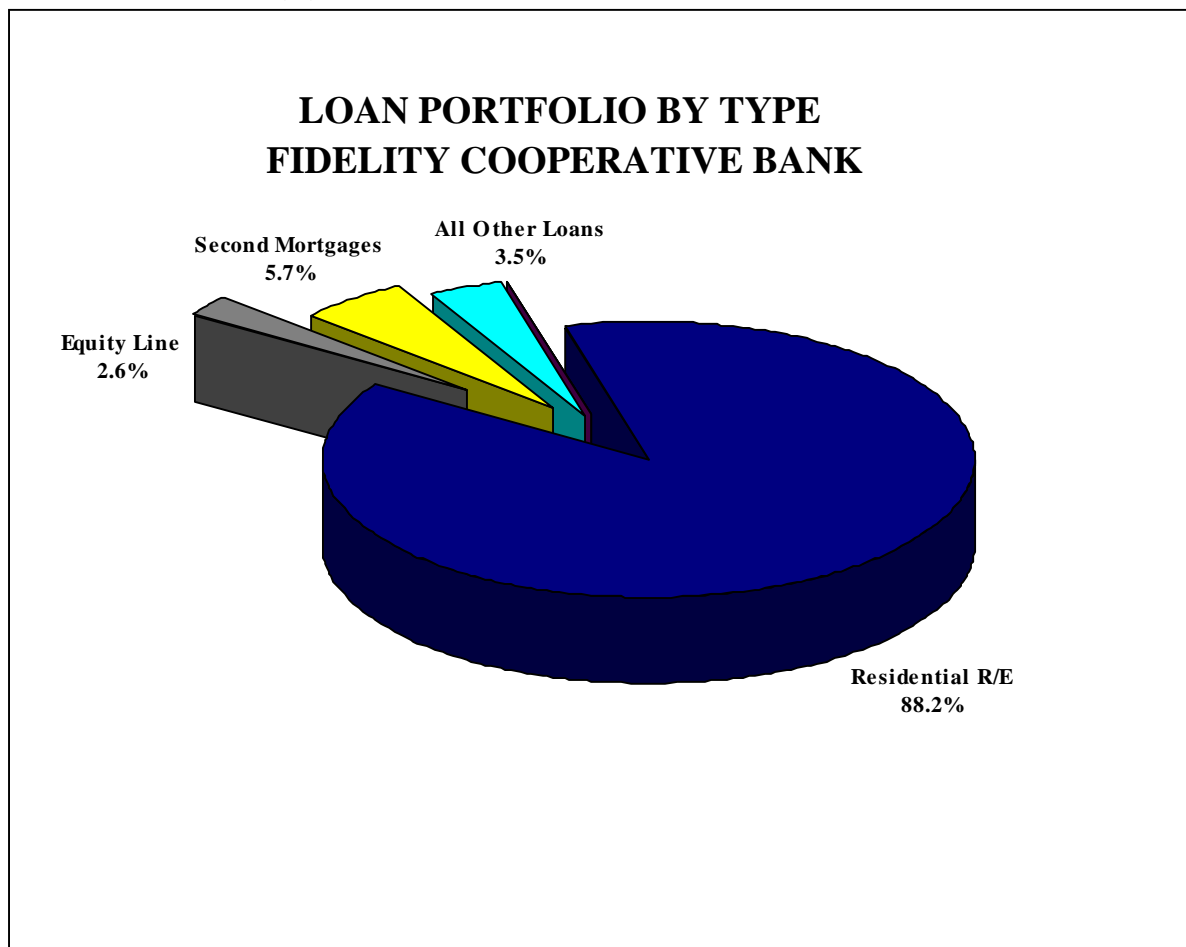
The bank's overall rating of high satisfactory is based upon the five performance criteria shown in this report. The bank's net loan-to-deposit ratio has averaged 88.6% for the period December 31, 1997, to September 30, 1999 and is considered to exceed the standard for satisfactory performance. A review of the bank's HMDA-reportable loans from January 1, 1998, through year-to-date November 30, 1999, revealed that a vast majority of loans was extended within the bank's assessment area. A review of loans to borrowers of different income levels indicates the bank's willingness to lend to borrowers of all levels, especially those of low and moderate-income. Given the exceptional increase in lending to low and moderate-income borrowers in 1999, the bank's performance is considered to exceed satisfactory standards. A review of the geographic distribution of loans among the various census tracts within the bank's assessment area revealed that HMDA-reportable loans are reasonably distributed. No CRA-related complaints have been received since the last examination. The bank's Fair Lending practices are also considered reasonable for an institution of this size. No discriminatory acts or practices were noted. At the institution's request, qualified investments and services were also evaluated. These activities further illustrate the bank's responsiveness to community credit needs and support the overall rating of high satisfactory.

PERFORMANCE CONTEXT

Description of Institution

Fidelity Cooperative Bank (FCB) is a state-chartered mutually owned cooperative bank incorporated under the laws of the Commonwealth of Massachusetts in 1888. The bank is headquartered in Fitchburg, Massachusetts, with four additional full service offices located in the towns of Millbury and Shirley, and the cities of Gardner and Leominster. All offices, with the exception of Millbury, have Automated Teller Machines (ATMs). In addition, there is a freestanding ATM at the Johnny Appleseed Visitor Center on Route 2 in Lancaster. The bank is a member of SUM alliance, therefore; no surcharges are imposed at the bank's ATMs for customers of SUM alliance member institutions. However, the bank's freestanding ATM, has a surcharge of one dollar for foreign ATM cards. Hours of operation are convenient and include extended hours on Fridays and Saturday mornings at all offices and Thursdays at the Leominster, Gardner and Shirley offices.

As of September 30, 1999, FCB had \$178,652,000 in total assets, 74.8% of which were in the form of loans. Of these, 88.2% were 1-4 family residential loans, 5.7% were second mortgage loans, 2.6% were home equity lines of credit, and 3.5% were all other loans. All other loans include multifamily, commercial real estate and consumer loans. Refer to the following graph.



Fidelity Cooperative Bank issues a CRA Policy yearly. The CRA Policy states the bank's commitment to serve the various banking and credit needs of individuals, businesses, and organizations in the community. The policy prepared for the bank's depositors, loan customers, and members of the communities it serves covers all the criteria of the new CRA regulations and standards the bank has set for its performance in each category.

The FDIC last examined the bank for compliance with the Community Reinvestment Act on November 23, 1998. That examination resulted in a Satisfactory rating.

Description of Assessment Area

The Community Reinvestment Act (CRA) requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The bank has designated two separate assessment areas based on the location of its four offices. These assessment areas are referred to as the North Central Massachusetts (NCM) and the Southern Worcester County (SWC) assessment areas. The two areas contain 21 cities and towns located in the Boston, Fitchburg, Lowell, and Worcester MSAs. In addition, the bank has one town located in a Non Metropolitan Statistical Area. The Office of Management and Budget establishes MSAs for statistical reporting purposes by federal agencies.

The North Central Massachusetts (NCM) Assessment Area

FCB's North Central Massachusetts assessment area consists of the following cities and towns in the Boston, Fitchburg, Lowell and Non MSAs:

Boston MSA: the towns of Ayer, Harvard, Lancaster, Shirley, and Townsend.

Fitchburg MSA: the cities of Fitchburg, Gardner and Leominster and the towns of Ashby, Ashburnham, Lunenburg, Templeton, Westminster and Winchendon.

Lowell MSA: the towns of Groton and Pepperell.

Non MSA: the Town of Hubbardston.

This assessment area is comprised of 40 census tracts, of which 1 or 2.5% is designated as low-income; 10 or 25.0% as moderate-income; 20 or 50.0% as middle-income; 8 or 20.0% as upper-income and 1 or 2.5% with no income designation. The census tract with no income designation is #7109.00. This tract is located in Fitchburg and contains Fitchburg State College. It is not included in the following tables or in any other analysis throughout this report.

Refer to the following tables for further information.

CENSUS TRACTS BY INCOME WITHIN ASSESSMENT AREA

BOSTON MSA*

CITY/TOWN	LOW	MODERATE	MIDDLE	UPPER	TOTAL
Ayer	0	1	0	0	1
Harvard	0	1	0	1	2
Lancaster	0	0	1	0	1
Shirley	0	1	1	0	2
Townsend	0	0	1	0	1
Total	0	3	3	1	7

*Based on 1993 % MSA Median Family Household Income.

CENSUS TRACTS BY INCOME WITHIN ASSESSMENT AREA					
FITCHBURG MSA*					
CITY/TOWN	LOW	MODERATE	MIDDLE	UPPER	TOTAL
Fitchburg	1	3	6	0	10
Gardner	0	2	3	0	5
Leominster	0	2	4	2	8
Ashby	0	0	0	1	1
Ashburnham	0	0	1	0	1
Lunenburg	0	0	0	1	1
Templeton	0	0	1	0	1
Westminster	0	0	0	1	0
Winchendon	0	0	1	0	1
TOTAL	1	7	16	5	29

*Based on 1993 % MSA Median Family Household Income.

CENSUS TRACTS BY INCOME WITHIN ASSESSMENT AREA					
LOWELL MSA*					
CITY/TOWN	LOW	MODERATE	MIDDLE	UPPER	TOTAL
Groton	0	0	0	1	1

Pepperell	0	0	1	0	1
Total	0	0	1	1	2

*Based on 1993 % MSA Median Family Household Income.

CENSUS TRACTS BY INCOME WITHIN ASSESSMENT AREA					
NON MSA*					
CITY/TOWN	LOW	MODERATE	MIDDLE	UPPER	TOTAL
Hubbardston	0	0	0	1	1
Total	0	0	0	1	1
Total NCM	1	10	20	8	39

*Based on 1993 % MSA Median Family Household Income.

Assessment area housing data, based on 1990 Census Data, indicated that there are 76,078 housing units, of which 57.9% are owner-occupied, 35.3% are rental and 6.8% are vacant. The area's total population is 198,990 persons. The area contains 71,065 households, of which 8.3% are below poverty level, 25.6% receive social security and 6.7% receive public assistance

The Southern Worcester County (SWC) Assessment Area

FCB's SWC assessment area consists of the following towns located in the Worcester MSA: Auburn, Grafton, Millbury, Oxford, and Sutton.

This assessment area is comprised of 15 census tracts, of which 13 or 86.6% are designated as middle-income; 1 or 6.7% as upper-income and 1 or 6.7% with no income designation. The census tract with no income designation is #7384.00, located in Grafton, and houses the Tufts School of Veterinary medicine. This tract is not included in the following table or in any other analysis throughout this report.

CENSUS TRACTS BY INCOME WITHIN ASSESSMENT AREA					
WORCESTER MSA*					
CITY/TOWN	LOW	MODERATE	MIDDLE	UPPER	TOTAL
Auburn	0	0	5	0	5
Grafton	0	0	2	1	3
Millbury	0	0	3	0	3
Oxford	0	0	2	0	2
Sutton	0	0	1	0	1

Total SWC	0	0	13	1	14
Total NCM	1	10	20	8	39
GRAND TOTAL	1	10	33	9	53

*Based on 1993 % MSA Median Family Household Income.

Assessment area housing data, based on 1990 Census Data, indicated that there are 22,857 housing units, of which 72.1% are owner-occupied, 23.5% are rental and 4.4% are vacant. The area's total population is 59,680 persons. The area contains 21,836 households, of which 4.6% are below poverty level, 28.1% receive social security and 4.3% receive public assistance.

FCB operates in two competitive markets. The local competitors in the NCM assessment area include but are not limited to the following: Peoples Heritage Bank, I-C Federal Credit Union, GFA Credit Union and Workers Credit Union, as well as representatives of numerous regional and national mortgage companies. The local competitors in the SWC assessment area include but are not limited to the following: Peoples Heritage Bank, Millbury Savings Bank and Millbury Federal Credit Union, as well as representatives of numerous regional and national mortgage companies. In the combined assessment areas during 1998 the bank was ranked sixth with a 2.3% share of the market out of 386 lenders. The top three lenders were Countrywide Home Loans with 5.1%, Peoples Heritage Bank with 4.3%, and Fleet Mortgage Corporation with 3.5%.

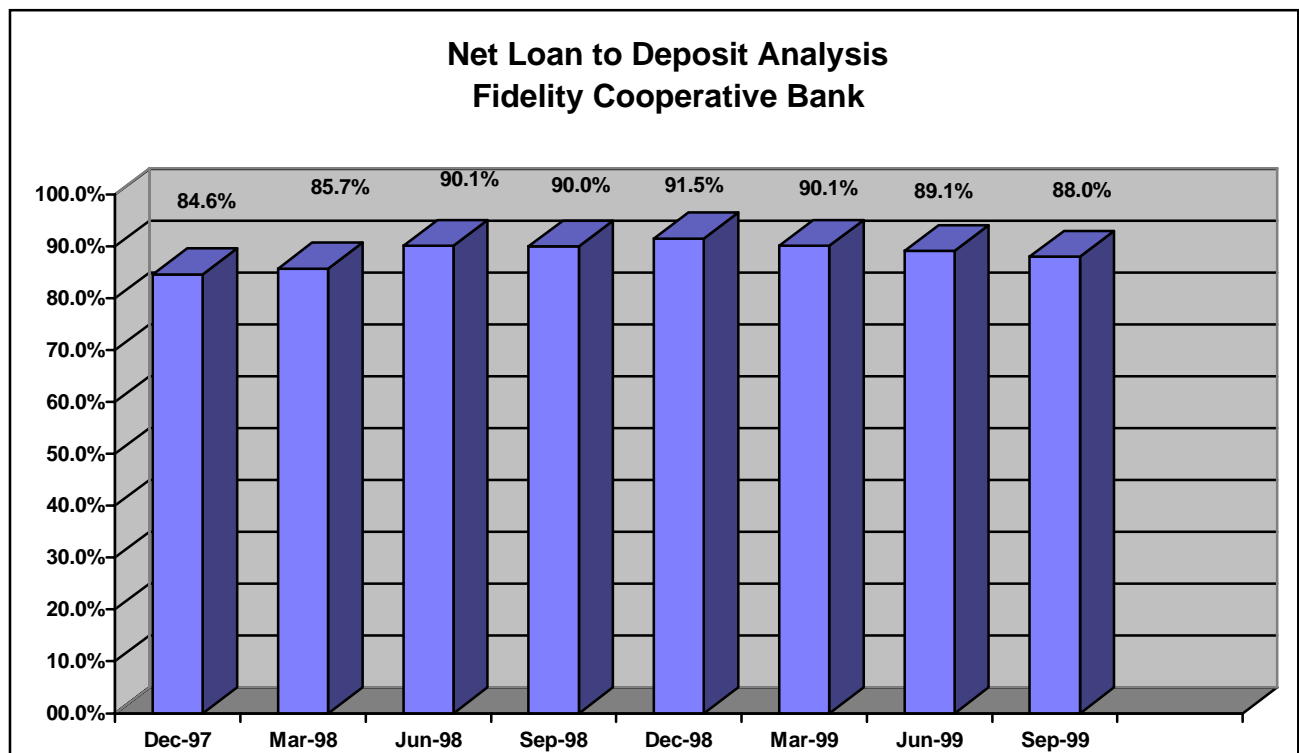
PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

An analysis of Fidelity Cooperative Bank's net loan to deposit ratio was performed during the examination. The calculation incorporated eight quarters of the bank's net loan to total deposit figures utilizing the FDIC quarterly call reports. This review included the quarters ending December 31, 1997, through September 30, 1999.

The institution's average loan to deposit ratio during the period under examination was determined to be 88.6%. The ratio has fluctuated from a low of 84.6% on December 31, 1997 to a high of 91.5% on December 31, 1998. The decrease in the last three-quarters can be attributed to the more rapid growth in deposits. For the past three-quarters loans have grown by 2.6%, while deposits have grown by only 5.0%.

The following graph illustrates the bank's Net Loan to Deposit ratios.



The bank's average net loan to deposit ratio was compared to the ratios of five other area institutions. These ratios are as of June 30, 1999 for credit unions and September 30, 1999 for banks and range from a low of 52.5 percent to a high of 88.0 percent.

Refer to the following table for details.

INSTITUTION	NET LOAN TO DEPOSIT RATIO
Fidelity Cooperative Bank	88.0
Colonial Cooperative Bank- Gardner	82.4
Workers Credit Union- Fitchburg	69.9
Millbury Savings Bank	66.2
Grafton Suburban Credit Union	64.4
Millbury National Bank	52.5

The bank's net loans and leases as a percent of deposits, as reported in the September 30, 1999, Uniform Bank Performance Report (UBPR), was 88.0 percent. The peer group's net loan to deposit ratio was 83.4 percent. The bank's ratio is higher than peer, however, it should be noted that the UBPR determines a peer ratio based on similarly sized banks nationwide without regard to regional or state differences.

In addition, the bank's net loans and leases as a percent of assets, as reported in the September 30, 1999, Uniform Bank Performance Report (UBPR) was 74.4 percent. The peer group's net loan to asset ratio was 66.0 percent.

During 1998, the bank sold seven loans totaling \$643,130 to FHLMC. No loans were sold in 1999.

Based on the above information, the bank's performance when compared to other area institutions, the bank's capacity to lend, the capacity of other similarly-situated institutions to lend in the assessment area, demographic and economic factors present in the assessment area, and the lending opportunities available in the assessment area, the bank's loan to deposit ratio exceeds the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

A review of Fidelity Cooperative Bank's Loan Application Registers (LARs) for 1998 and year to date November 30, 1999 was conducted during the examination. This information indicated the bank originated 690 HMDA reportable loans during this period. All of the loans were for home improvement, purchases and refinances. A total of 600 loans or 87.0 percent were originated within the bank's assessment area. Leominster accounted for 18.1 percent of these loans, followed by Gardner with 13.8 percent and Fitchburg with 9.6.

Refer to the following table for additional information.

HMDA-Reportable Loans by Number of Originations

Location	1998		Y-T-D 1999		Totals	
	#	%	#	%	#	%
Leominster	77	18.8	48	17.1	125	18.1
Gardner	47	11.5	48	17.1	95	13.8
Fitchburg	43	10.5	23	8.2	66	9.6
Millbury	29	7.1	17	6.0	46	6.7
Shirley	27	6.6	12	4.3	39	5.7
Templeton	22	5.4	14	5.0	36	5.2
Westminster	16	3.9	14	5.0	30	4.3
Ashburnham	17	4.2	10	3.6	27	3.9
Lunenburg	16	3.9	9	3.2	25	3.6
Sutton	11	2.7	13	4.6	24	3.5
Winchendon	13	3.2	5	1.8	18	2.6
Townsend	5	1.2	7	2.5	12	1.7
Pepperell	7	1.6	3	1.0	10	1.4
Ashby	3	0.7	6	2.1	9	1.3
Auburn	6	1.5	2	0.7	8	1.2
Lancaster	4	1.0	4	1.4	8	1.2
Grafton	4	1.0	3	1.1	7	1.0
Other Towns < 1.0% Each	6	1.5	9	3.2	15	2.2
Inside Assessment Area	353	86.3	247	87.9	600	87.0
Outside Assessment Area	56	13.7	34	12.1	90	13.0
Total	409	100.0%	281	100.0%	690	100.0%

Source: HMDA/LAR Data for the period 1/1/98 to year-to-date 11/30/99

A review of the total dollar amount of HMDA reportable originations for the same period was also conducted. The bank granted a total of \$61,152,000 in HMDA reportable loans during this period. Of these loans, \$52,333,000, or 85.6 percent were originated within

the bank's assessment area. Leominster accounted for 18.6 percent of the dollar amount of loans, followed by Gardner with 10.7 percent, and Fitchburg with 8.4 percent.

HMDA-Reportable Loans by Dollar Amount of Originations

Location	1998		Y-T-D 1999		Totals	
	\$ (000)	%	\$ (000)	%	\$(000)	%
Leominster	7,791	19.4	3,595	17.2	11,386	18.6
Gardner	3,644	9.1	2,908	13.9	6,552	10.7
Fitchburg	3,572	8.9	1,573	7.5	5,145	8.4
Millbury	3,014	7.5	1,262	6.0	4,276	7.0
Shirley	3,158	7.8	1,072	5.1	4,230	6.9
Westminster	1,641	4.0	1,118	5.3	2,759	4.5
Templeton	1,825	4.5	766	3.7	2,591	4.2
Lunenburg	1,850	4.6	704	3.4	2,554	4.2
Ashburnham	1,607	4.0	801	3.8	2,408	3.9
Sutton	1,263	3.1	1,058	5.1	2,321	3.8
Winchendon	1,069	2.7	214	1.0	1,283	2.1
Townsend	451	1.1	776	3.7	1,227	2.0
Lancaster	506	1.3	349	1.7	855	1.4
Pepperell	715	1.8	34	0.1	749	1.2
Ashby	207	0.5	496	2.4	703	1.2
Auburn	479	1.2	200	0.9	679	1.1
Grafton	362	0.9	311	1.5	673	1.1
Ayer	173	0.4	462	2.2	635	1.1
Other Towns < 1.0% Each	534	1.4	773	3.8	1,307	2.2
Inside Assessment Area	33,861	84.2	18,472	88.3	52,333	85.6
Outside Assessment Area	6,378	15.8	2,441	11.7	8,819	14.4
Total	40,239	100.0%	20,913	100.0%	61,152	100.0 %

Source: HMDA/LAR Data for the period 1/1/98 to 11/30/99.

In 1998, the bank, with a 2.3% market share, was ranked sixth among the 386 HMDA reporting lenders originating and/or purchasing HMDA-reportable loans within its assessment area. The number one lender was Countrywide Home Loans with a 5.1% share.

Based on the above information, it is evident that the vast majority of HMDA reportable loans have been extended inside the bank's assessment area. Therefore, the bank is considered to exceed the standards for satisfactory performance in this category.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The bank's HMDA reportable loans were further analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes were compared to

the median family incomes for the Boston, Fitchburg, Lowell, Worcester and Non-MSA Metropolitan Statistical Area (MSA), depending on the location of the property. These income figures are based on estimated Department of Housing and Urban Development (HUD) information. Refer to the following table for a breakdown of the estimated 1998 and 1999 HUD information.

MSA	1998	1999
Boston	\$60,000	\$62,700
Fitchburg	\$48,200	\$50,700
Lowell	\$59,200	\$61,800
Worcester	\$51,000	\$52,600
Non-MSA Area	\$44,900	\$46,400

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

The following tables show the number and dollar amount of HMDA-reportable loans granted to low, moderate, middle and upper-income borrowers in comparison to the number of families in the assessment area in each respective income group.

Distribution of HMDA-Reportable Loans Within the Assessment Area to Borrowers of Different Income Levels by Number of Loans

Borrower Income Level	Families		1998		1999-YTD		Total	
	#	%	#	%	#	%	#	%
< 50%	12,040	17.5	5	1.4	13	5.3	18	3.0
50 – 79%	12,039	17.5	38	10.8	52	21.1	90	15.0
80 – 119%	18,292	26.6	110	31.2	75	30.4	185	30.8
> = 120%	26,435	38.4	200	56.6	106	42.9	306	51.0
N/A	0	0.0	0	0.0	1	0.3	1	0.2
Total	68,806	100.0	353	100.0	247	100.0	600	100.0

Source: HMDA/LAR Data for the period 1/1/98 to 11/30/99.

Distribution of HMDA-Reportable Loans Within the Assessment Area to Borrowers of Different Income Levels by Dollar Amount

Borrower Income Level	Families		1998		1999-YTD		Total	
	#	%	\$ (000)	%	\$ (000)	%	\$ (000)	%

< 50%	12,040	17.5	270	0.8	299	1.7	569	1.1
50 – 79%	12,039	17.5	2,669	7.9	3,673	19.9	6,342	12.1
80 – 119%	18,292	26.6	9,668	28.5	5,137	27.8	14,805	28.3
> = 120%	26,435	38.4	21,254	62.8	9,281	50.2	30,535	58.3
N/A	0	0.0	0	0.0	82	0.4	82	0.2
Total	68,806	100.0	33,861	100.0	18,472	100.0	52,333	100.0

Source: HMDA/LAR Data for the period 1/1/98 to 11/30/99.

In 1998 and year-to-date November 30,1999, the bank extended 18 loans totaling \$569,000 within its assessment area. This represents 3.0 percent of the number and 1.1 percent of the dollar amount of loan originations. This is well below the 17.5 percent of low-income families residing within the assessment area. However, it should be noted that 7.4% of the low-income families are below the poverty level and 26.2% receive social security. This impacts the level of lending among borrowers in this income group.

The bank extended 90 loans totaling \$6,342,000 to moderate-income borrowers, representing 15.0 percent by number and 12.1 percent by dollar amount as shown above. The number of loans is slightly below the 17.5 percent of moderate-income households within the assessment area.

It should be noted that the bank shows a noteworthy improvement during 1999 in lending to low and moderate-income individuals. The number of loans to these individuals increased from 12.2% in 1998 to 26.4% in 1999. One of the primary reasons for this increase was the bank's change in lending philosophy and the hiring of mortgage loan originators, which put the emphases on originating purchase loans.

The distribution of the bank's loans among various borrower income levels may also be compared to that of all other HMDA-reportable lenders in the assessment area. As previously mentioned, other HMDA-reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis relates to calendar year 1998 and is presented in the following table.

Lending Within the Assessment Area to Borrowers of
Different Income Levels
Fidelity Cooperative Bank Compared to All Other HMDA-Reporters

Borrower Income Level	Number of Loans		Dollar Amount of Loans	
	Fidelity Cooperative Bank	All Other Reporters	Fidelity Cooperative Bank	All Other Reporters

	#	%	#	%	\$(000)	%	\$(000)	%
< 50%	5	1.4	628	4.1	270	0.8	43,682	2.5
50 – 79%	38	10.8	2,003	13.2	2,669	7.9	155,352	8.9
80 – 119%	110	31.2	3,924	25.9	9,668	28.5	383,067	22.1
> = 120%	200	56.6	6,003	39.6	21,254	62.8	808,042	46.6
NA	0	0.0	2,616	17.2	0	0.0	343,398	19.9
Total	353	100.0	15,174	100.0	33,861	100.0	1,733,541	100.0

Source: HMDA Data for the period 1/1/98 to 12/31/98.

The distribution of the bank's residential loans to low and moderate-income borrowers is slightly below that of all other HMDA-reporters within the assessment area. As shown above, the bank's performance in lending to low-income borrowers is below the aggregate in both number and dollar amount. The bank's percentage of lending to moderate-income borrowers is also below the number and dollar amount of the aggregate. However, It should be noted that the amount of N/As for other HMDA reporters skews the figures somewhat.

The distribution of HMDA-reportable loans by borrower income demonstrates the bank's willingness to lend to borrowers of all income levels. The bank's performance during 1999 in lending to borrowers of low and moderate-income levels has improved dramatically. Based on that improvement and the close proximity to the aggregate in 1998 the bank is considered to exceed the standards for a satisfactory performance in this category.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

An analysis of the number and dollar amount of HMDA reportable loans originated within the various census tracts, during 1998 and year-to date November 30, 1999, within the bank's assessment area was conducted. The bank's assessment area contains 55 census tracts. Two of these tracts are designated as N/A and are not used for this analysis. Of the 53 remaining tracts being analyzed, 1 or 1.9% is low-income, 10 or 18.9% are moderate-income, 33 or 62.3% are middle-income, and 9 or 16.9% are upper-income. The low-income census tract is located in Fitchburg and contains only 8.1% owner-occupied units and includes the downtown area, which has predominately commercial buildings. Of the 10 moderate-income census tracts, 6 have owner-

occupancy rates less than 33.0%. In addition, one has an owner-occupancy rate of 6.8% and census tract #7141.00 is Fort Devens and contains no owner-occupied homes. Refer to the following tables.

**Distribution of HMDA-Reportable Loans Within the Assessment Area by
Census Tract Income Level by Number of Loans**

Census Tract Income Level	Owner-Occupied Properties		1998		Y-T-D 1999		Total	
	#	%	#	%	#	%	#	%
Low	105	0.2	0	0.0	0	0.0	0	0.0
Moderate	5,079	8.4	23	6.5	18	7.3	41	6.8
Middle	41,623	68.8	256	72.5	176	71.2	432	72.0
Upper	13,703	22.6	74	21.0	53	21.5	127	21.2
Total	60,510	100.0	353	100.0	247	100.0	600	100.0

Source: HMDA/LAR Data for the period 1/1/98 to Year-to-Date 11/30/99.

**Distribution of HMDA-Reportable Loans Within the Assessment Area by
Census Tract Income Level by Amount of Loans**

Census Tract Income Level	Owner-Occupied Properties		1998		Y-T-D 1999		Total	
	#	%	\$	%	\$	%	\$	%
Low	105	0.2	0	0.0	0	0.0	0	0.0
Moderate	5,079	8.4	1,706	5.0	1,164	6.3	2,870	5.5
Middle	41,623	68.8	23,937	70.7	12,656	68.5	36,593	69.9
Upper	13,703	22.6	8,218	24.3	4,652	25.2	12,870	24.6
Total	60,510	100.0	33,861	100.0	18,472	100.0	52,333	100.0

Source: HMDA/LAR Data for the period 1/1/98 to Year-to-Date 11/30/99.

As shown in the above tables the bank made no loans in the one low-income census tract, however, there are only 105 or 0.2% of owner-occupied units in that tract. The bank did make 6.8 percent of the number and 5.5 percent of the dollar amount of total loans for 1998 and year-to-date 1999 within its moderate-income census tracts. These percentages are slightly lower than the 8.4 percent owner-occupied properties in moderate-income tracts within the assessment area. However it should be noted that the bank's performance in penetrating the moderate-income census tracts improved from 1998 to 1999. The above data also shows that the number and dollar amount of the loans in middle and upper-income census tracts is closely proportional to the number of owner-occupied properties in these areas.

The geographic distribution of the bank's loans by census tract classification may also be compared to that of all other HMDA reporting lenders in the assessment area. The most recent data available for this analysis relates to calendar year 1998 and is presented in the following table.

**Distribution of HMDA-Reportable Loans Within the Assessment Area by
Census Tract Income Level
Fidelity Cooperative Bank Compared to All Other HMDA Reporters**

Census Tract Income Level	Number of Loans				Dollar Amount of Loans			
	Fidelity Cooperative Bank		All Other Reporters		Fidelity Cooperative Bank		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
Low	0	0.0	26	0.2	000	0.0	3,004	0.2
Moderate	23	6.5	1,219	8.0	1,706	5.0	113,545	6.5
Middle	256	72.5	9,606	63.3	23,937	70.7	972,942	56.1
Upper	74	21.0	4,314	28.4	8,218	24.3	642,861	37.1
NA	0	0.0	9	0.1	0	0.0	1,189	0.1
Total	353	100.0	15,174	100.0	33,861	100.0	1,733,541	100.0

Source: HMDA/LAR Data for the period 1/1/98 to 12/31/98.

As demonstrated above, the percentage of the bank's lending activity in moderate-income census tracts, by number and dollar, is slightly below that of the aggregate. The percentage of the bank's lending activity in moderate-income census tracts was 6.5 percent by number and 5.0 percent by dollar amount. In comparison, the aggregate originated 8.0 percent by number and 6.5 percent by dollar amount in moderate-income census tracts.

In 1998, the bank was ranked 13th among all other HMDA reporting lenders within its assessment area, for lending in low and moderate-income census tracts with a 1.8% share of the market. The number one lender was Countrywide Home Loans with a 6.3% share of the market.

Based on the above information the bank is considered to have an adequate geographic distribution of loans in its assessment area and meets the standards for satisfactory performance.

5. REVIEW OF COMPLAINTS/FAIR LENDING

REVIEW OF COMPLAINTS

Fidelity Cooperative Bank has not received any complaints regarding its CRA performance since the previous examination.

FAIR LENDING POLICIES AND PRACTICES

Fidelity Cooperative Bank has a formal Fair Lending Policy, which is reviewed by the Board of Directors annually.

Detailed below are the bank's fair lending policies and practices as they correlate to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Fair Lending Policy.

STAFF TRAINING

As mentioned in the bank's Fair Lending policy, the bank recognizes training as a critical component in combating discrimination in lending. Through internal educational programs, employees are instructed regarding Fair Lending Laws. Internal training is enhanced by providing employees with training regarding changes in applicable laws and underwriting procedures, through seminars and conferences sponsored by outside organizations including the Massachusetts Bankers Association (MBA), and the Community Bank League.

The bank conducted fair lending training sessions on September 6 & 16, 1999, October 28, 1999, and November 4, 1999. These sessions were attended by the lending staff and included discussions of the Fair Housing Act and the Equal Credit Opportunity Act.

STAFF COMPOSITION AND COMPENSATION

As of November 30, 1999, the bank's staff consisted of 64 full and part-time employees. Four of the bank's employees are bi-lingual, with two employees speaking Spanish and two speaking French.

The bank employs outside loan originators who are paid a base salary plus commission. The bank pays additional points for loans originated to borrowers who are of low or moderate-income.

OUTREACH

The bank ascertains community credit needs through its support and involvement in community organizations.

In an effort to determine the credit needs of the entire assessment area, including low and moderate-income individuals and neighborhoods, bank officers, management and staff have developed relationships with many local community organizations. A sample of these organizations include: North Central Massachusetts Chamber of Commerce, Mayors Liaison Committee, Shirley Village Partnership, United Way of North Central Massachusetts, Leominster Downtown Association, Fair Housing Committee of Leominster, Gardner Community Land Trust, Millbury Improvement Initiative, and several local Chambers of Commerce.

CREDIT PRODUCTS AND UNDERWRITING STANDARDS

The bank has developed and implemented both fixed rate and adjustable rate first time homebuyer programs. These programs offer a variety of features which benefit first time homebuyers including 97% LTV, closing discounts, reduced rates and flexible underwriting guidelines. During 1998, the bank originated 34 loans totaling \$3,275,013 to first time

homebuyers. In year to date 1999, 33 loans totaling \$3,554,000 have been originated under these programs.

The bank has negotiated with Freddie Mac to underwrite the Affordable Gold Series, allowing the bank to offer the following targeted mortgage programs: Affordable Gold 5, Affordable Gold 97 and Affordable Gold 3/2.

The bank continues to utilize flexible underwriting standards and evaluate compensating factors consistent with safe and sound banking practices.

MARKETING

The marketing strategy of Fidelity Cooperative Bank appears to adequately reach all segments of its assessment area. Print media is the primary method used to advertise the bank products and services. The bank advertises regularly in newspapers and publications serving its assessment area. The following are the print media being utilized: The Sentinel & Enterprise, a daily publication serving the Fitchburg and Leominster area; The Shirley Volunteer, a weekly publication serving the Shirley area; The Millbury-Sutton Chronicle, a weekly publication serving the Millbury and Sutton area; and The Gardner News, a daily publication serving the greater Gardner area. The bank also advertises in The Worcester Telegram & Gazette, a daily publication. The bank utilizes the north edition to cover the Fitchburg, Leominster and Gardner area and the Blackstone Valley edition to cover the Millbury, Grafton and Sutton area. In addition, the bank advertises in the Nashoba Publications, which are regional newspapers published weekly in Shirley, Ayer, Groton, Townsend, Pepperell and Harvard.

CREDIT EDUCATION

The bank participates in credit education seminars on an ongoing basis. The last two seminars were held on September 21, 1999 and October 5, 1999. The bank held each seminar in a branch office. The September seminar was held in Gardner and the October seminar was held in Leominster. There were 18 attendees at both sessions.

In addition, the bank relies upon its relationship with real estate brokers for credit education of prospective buyers through the prequalification programs the bank offers to these realtors.

COUNSELLING

The bank refers customers who are in need of credit counseling to the appropriate credit counseling services including Consumer Credit Counseling Services of Eastern Massachusetts.

SECOND REVIEW PRACTICES

The Senior Lending Officer provides a second review for all consumer, mortgage and equity loans. A second review of mortgage and equity applications is completed prior to a denial

notice being issued. For consumer loan applications, second reviews are completed after the fact. All reviews are documented on a second review documentation sheet.

INTERNAL CONTROL PROCEDURES

The CRA Officer conducts regular analysis of the bank's HMDA data. Each month an analysis is conducted which includes a demographic description of the bank's assessment area, followed by various analyses of the lending data. Items such as geographic distribution, approval and denial rates, and demographic characteristics of the borrowers are addressed.

In addition, the bank utilizes an independent internal audit firm, which completes fair lending related reviews as part of a standard audit program.

MINORITY APPLICATION FLOW

FCB's assessment area contains a total population of 258,670 individuals, 20,112 or 7.8% of whom are minorities. The assessment area's minority population is 0.2% Native American, 1.3% Asian, 2.2% Black, 4.0% Hispanic and 0.1% Other.

HMDA reportable applications received from minority applicants from within the assessment area during 1998 and year-to-date November 30, 1999 were reviewed using CRA Wiz PCI Services, Inc.

Refer to the following table for additional information.

MINORITY APPLICATION FLOW

RACE	1998		YTD 1999		TOTALS	
	#	%	#	%	#	%
Native American	2	0.5	1	0.4	3	0.5
Asian	6	1.5	1	0.4	7	1.0
Black	1	0.3	1	0.4	2	0.3
Hispanic	1	0.3	2	0.7	3	0.5
Joint Race	5	1.3	1	0.4	6	0.9
Other	0	0.0	1	0.4	1	0.1
TOTAL MINORITY	15	3.9	7	2.5	22	3.3
White	369	96.1	277	97.5	646	96.7
TOTAL	384	100.0	284	100.0	668	100.0

APPLICATIONS						
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SOURCE - CRA Wiz 1998 and Year-to-Date November 30, 1999

According to the above data, the bank received a total of 22 applications from minority applicants, which represented 3.3% of all applications. Of these applications, 1.0% were from Asians, 0.9% were from applicants of joint race, while 0.5% were from Hispanics and Native Americans, 0.3% were from Blacks and 0.1% were from applicants designated as other.

Aggregate information for 1998 indicated that, of the 20,400 HMDA-reportable applications received by all other lenders within the bank's assessment area, 3.6% were from minorities: 0.1% from American Indians, 0.5% from Asians, 0.4% from Blacks, 1.0% from Hispanics, 1.1% from Joint Race and 0.5% from other Minorities. In comparison, the bank received 384 applications during the same period. Of these, 3.9% were from minorities: 1.5% from Asians, 1.3% from Joint Race, 0.5% from Native Americans, 0.3% from Hispanics, and 0.3% from Blacks.

According to the above data, the bank's minority application flow mirrors all other HMDA reporters in its assessment area; however, the minority application flow is slightly below the demographics of its assessment area.

CONCLUSION

The Fidelity Cooperative Bank's record of implementing and developing fair lending policies and practices is considered to meet the standards for a satisfactory performance. This rating is based on the following: The bank's performance in outreach; its efforts to offer a variety of credit products to meet the needs of different segments of the population; its efforts to market credit products to all segments of its assessment area; its outstanding efforts to provide credit education to prospective mortgage applicants through support of credit education seminars; and its implementation of internal control procedures.

QUALIFIED INVESTMENTS AND COMMUNITY SERVICES

At management's request, the examiners reviewed qualified donations, grants and community services. To be considered, an investment or service must meet the definition of community development. As defined in the revised CRA regulation, a community development loan has as its primary purpose: affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, or activities that revitalize or stabilize low and moderate-income geographies. The review revealed the following qualified investments and services:

North Central Massachusetts Community Reinvestment Act Coalition

The Coalition is a group of local community organizations, financial institutions, and city representatives that was established in 1990 to help meet the needs of low and moderate-

income individuals and communities. Programs established by the Coalition address the housing, economic development, and basic needs of area residents. During 1998, the bank originated one loan for \$64,000 under the Coalition's Rehabilitation and Purchase (RAPP) and Homeownership Opportunity (HOOP) programs. A Vice President is a member of the Board of Directors and a member of the Marketing Subcommittee.

North Central Massachusetts Chamber of Commerce

The bank has pledged \$10,000 (\$2,000 each of the next five years) to the Business First Campaign for Economical Development of North Central Massachusetts. In addition, a Trustee serves on the Mayors Liaison Committee to identify local community problems and potential solutions.

Shirley Village Partnership

The President serves as chairman of the Partnership as well as on various committees within the organization. A Vice President is the Treasurer of the organization. The Partnership, an economical and physical redevelopment organization, meets regularly to address the present and future needs of the area.

United Way of North Central Massachusetts (NCUW)

The President serves on the Board of Directors and the Finance Committee. A Vice President serves as a Director and as a member of NCUW Fund Distribution Allocation Committee. During 1999, the bank donated \$7,400 to this organization.

Leominster Multi-Service Center

A Vice president serves as Treasurer and member of the Board of Directors of this Center. This non-profit organization serves low-income minorities with counseling services, mediation and housing concerns.

Leominster Downtown Association

A Vice President is a member of this association whose mission is to revitalize the downtown Leominster area.

Fair Housing Committee of the City of Leominster

A Vice President is a member of this committee which is a sounding board seeking rental housing opportunities for low and moderate-income individuals.

Twin Cities Community Development Corporation

The bank donated \$500 to further homeownership opportunities in the Twin Cities of Fitchburg and Leominster. In addition, the bank donated \$2,000 for the Small Business Development Program.

Consumer Credit Counseling Group

The bank donated \$500 to support the group's credit counseling program.

Fitchburg By Design, Inc.

The bank donated \$5,000 to support the Fitchburg Intown Revitalization program.

Our Father's House

The bank donated \$750 to this non-profit soup kitchen in Fitchburg.

The above activities demonstrate the bank's commitment to meet the credit needs of all segments of its assessment area, including low and moderate-income individuals and geographies. These activities support the bank's overall CRA rating of High Satisfactory.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

Fidelity Cooperative Bank

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **December 20, 1999**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 19 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction, and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.